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IN THE

Supreme Court of the United States

OCTOBER TERM, 1953.

No. 374

CHARLES F. HARAD, AND SARA E. HARAD, CO-PARTNERS DOING BUSINESS AS INDUSTRIAL ENGINEERING ASSOCIATES,

Petitioners,

vs.

SEARS, ROEBUCK & CO.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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THE BLAKEMORE-WARREN PRINTING COMPANY, CHICAGO

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

Petitioner prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit, entered in the above entitled case on April 10, 1953.

OPINIONS BELOW.

The findings and conclusions of the District Court are set out in the Transcript of the Record at pages 510-22, 528 and 529-30; the Court rendered no opinion. The opinion of the Court of Appeals for the Seventh Circuit is reported at 204 F. (2d) 14 (R. 546).[1]

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1. For ease of reference Findings of the trial court will be abbreviated by the letter "F", a reference to the Transcript of the record in the trial court by the letter "R".

JURISDICTION.

The jurisdiction of this Court is invoked under 28 U. S. C. 1254 (1). The judgment of the Court of Appeals was entered on April 10, 1953 (R. 555). A petition for rehearing was filed on May 7, 1953 (R. 556), an order having been entered extending the time for the filing to this date (R. 556). The petition for rehearing was denied on May 28, 1953 (R. 557). The time within which to file this petition for a writ of certiorari was extended to September 25, 1953, by an order entered August 10, 1953, by Mr. Justice Jackson.

QUESTIONS PRESENTED.

The trial court found unfair competition where (1) Plaintiff produced a new, distinctive and successful though unpatented truss for hernia which (2) Defendant, a mail order house and retailer commanding a large market, sold as distributor for plaintiff; and where (3) Defendant suddenly dropped plaintiff and substituted an imitation of plaintiff's product, made by a former employee of plaintiff (4) which defendant then advertised and sold in the same market in a manner indicating a conscious indifference toward confusion of the public. The Court of Appeals held the finding clearly erroneous.

The question is whether the Court of Appeals has so restricted and misapplied the concept of unfair competition as to deprive a producer of essential protection against his distributor's piracy of good will in and control over an unpatented but new and distinctive product.

If certiorari is granted, petitioners will also present questions.

1. Whether the trademark "Sportsman" in an elliptical frame with the words "athletic truss" embossed upon a

truss for hernia is infringed by a mark consisting of the representation of an athlete accompanied by the words "active man" and "truss" also within an elliptical frame embossed upon a similar truss.

2. Whether the Court of Appeals' mandate of reversal rather than remand for further proceedings in the District Court was an abuse of discretion.

3. Whether the Court of Appeals exceeded its authority in determining that certain findings of the District Court were clearly erroneous when such findings were in fact supported by substantial evidence.

STATEMENT OF THE CASE.

This suit is based on unfair competition and trademark infringement, is between citizens of different states and the matter in controversy, exclusive of interests and costs, exceeds the sum or value of $3,000. The Trial Court's finding for the plaintiff and its award of injunction, treble damages and an accounting was based on the following facts:

Plaintiffs, a partnership consisting of Charles and Sara Harad (referred to herein as the "Harads"), citizens of Indiana, developed and manufactured a self-fitting truss for the treatment of hernia.[2] Though unpatented, this truss was new and distinctive in its shape, outline and configuration; and the Harads' sale of this truss, extending over the entire country was successful, ranging from total sales of 3,000 trusses in 1947, the first year of its production, to a high of 27,669 in 1949.[3]

Defendant, Sears Roebuck & Company (referred to here-

2. F. 1 and 5, R. 510.
3. F. 5 and 6, R. 510; F. 25, R. 514-5.

in as "Sears"), a New York corporation, is a mail order house and retailer commanding a large market for trusses. Commencing shortly after the initial production of the truss in 1947 for a period of approximately two and one-half years until January, 1950, Sears acted as a distributor for plaintiff, selling a major share of plaintiffs' output.[4]

Distribution of Substitute Truss by Sears. On the latter date, Sears ceased selling Harads' truss in any substantial quantity and substituted for it a truss which, while from a different source, was similar to the distinctive shape, outline and configuration of the Harad truss.[5] The Court found that in distributing this substitute truss Sears acted with a conscious indifference to the fact that its trademarking, sale and advertising of the substitute made it appear to be a new model of the Harad truss.[6]

Development of Substitute; Assistance by Sears. The substitute truss was developed by Louis P. Mack, a former salesman of the Harads, who handled the Sears account.[7] Mack commenced development of the truss immediately after termination of his employment with Harad in July, 1949, part of his production work being done by the Glade Manufacturing Company of Chicago. In instructing the Glade Company as to the type of truss parts to produce, Mack demonstrated to the Company the Harad truss.[8] Though Sears' buyer, Mr. Al Steier, advised Harad by a letter of July 29, 1949 that Sears planned to present the Harad trusses in its spring and summer catalog of 1950,

4. F. 11, p. 512; F. 29 and 30, R. pp. 515-16; R. 60—Plf. Ex. Y.

5. F. 28, R. 515; F. 39, R. 518.

6. F. 35 and 36, R. 517; F. 40, R. 528-9; Conclusion 7, R. 521.

7. F. 43, R. 520; R. 216. It also appears from the Court of Appeals opinion that Mack was a personal friend of Mr. Al Steier, the Sears truss buyer, and from the record that Mack had never been in the truss business prior to his two year association with the Harads (204 Fed. (2d) at p. 15, R. 547; R. 238).

8. F. 43, R. 520.

Steier actually assisted Mack in September or October of 1949 by advising the Glade Company to speed up the development and production of the substitute truss. Not until December, 1949, did Sears inform the Harads that it planned to restrict its distribution of the Harad truss in the spring of 1950.[9]

Trademark on the Original and Substitute Trusses. Prominently displayed in the middle of the shield portion of both the Harad and the substitute truss were embossed trademarks. Each trademark was of approximately the same size and consisted of an elliptical frame. In the center of the elliptical frame on the Harad truss were the words:

SPORTSMAN

athletic truss[10]

In the center or border of the elliptical frame on the substitute truss were the following picture and words:

active man

(Picture of an Athlete)

truss[11]

Pictures of the two trusses with their trademarks[12] are set out in the appendix to this petition for comparison.

Catalog Advertisement. Immediately before and after the substitution, Sears advertised both trusses in a substantially identical manner in its semi-annual catalogs, which were distributed throughout the United States. To each it gave prominence by a quarter or half-page advertisement. Each contained an illustration of the truss, the words "for the active man" or "for active men," pen and

9. F. 29, R. 515-6.

10. F. 7, R. 510-11. This mark was registered on the Supplemental Register of the 1946 Trade Mark Act, F. 42, R. 519.

11. F. 30, R. 516.

12. These are pictures of Plf. Ex. CC and Def. Ex. 7.

ink sketches of a farmer and a bowler and a similar arrangement of copy arranged in columnar form, each line being preceded by a dot.[13] The last catalogs before the change was the fall and winter of 1949.[14] The next catalog after the change was spring and summer, 1950.[15] In each of these catalogs: the same space is devoted to the respective trusses; identical pen and ink sketches are used; the phrase "for the active man" is used; there is an identity of arrangement of the features; and the illustrative cuts of the trusses are almost identical. The truss illustration in the 1950 catalog actually duplicates features which were identical *solely* with those of Harads' truss *and not* of the substitute truss which it purportedly advertised; in several particulars the illustration duplicates either the Harad truss or illustration by Harad or Sears of the Harad truss.[16] Exhibits of the two catalog advertisements immediately preceding and the two catalog advertisements immediately succeeding the change are reproduced in the appendix to this brief.[17]

The Packaging and Advertisement by Circular. Until the spring of 1948, each Harad truss was shipped to all Harads' customers in a distinctive carton bearing the words "Sportsman Athletic Truss," the phrase "for the active man," and in two places the business name and address of Harads; each such carton contained a folder and descriptive card containing similar data.[18] After that date, Harad packaged their trusses as follows: all trusses shipped to Sears retail stores and to Harads' other retail outlets were packaged in a carton identical to that described above.

13. F. 18-24, R. 513-4; F. 32-34, R. 516-7.
14. Plf. Ex. OO, reproduced in the appendix to this brief.
15. Plf. Ex. SS, reproduced in the appendix to this brief.
16. F. 40, as amended, R. 528.
17. Plf. Exs. NN, OO, SS, TT.
18. F. 12 and 13, R. 512; F. 20, R. 513.

Inside each such carton was a three-page folder; on the outside of such folder there appeared an illustration of the truss identical to that appearing in Sears catalog, the name "Sportsman Athletic Truss" and the trade name and address of the Harads. On the inside of this circular there appeared certain advertising data similar to that set out in the Sears catalog, pen and ink drawings of men in active and reclining positions, and drawings illustrating the adjustment and wearing of the truss.[19] To Sears mail order houses (as distinguished from its retail stores) each Harad truss was shipped in a Sears approved carton containing a three-page folder with an inside identical to that shipped in the other box, and containing the words "Sears Approved" on the outside. The substitute truss was shipped in a Sears approved carton also containing a three-page folder with pen and ink sketches on the inside substantially identical to those contained on the inside of the three-page folders shipped with the Harad trusses.[20]

Harads' Advertising. During the years 1947 through 1950, the Harads spent substantial sums in advertising the Sportsman athletic truss, including the distribution of display cards, advertising streamers and mats for newspaper advertising, and spent substantial time at retail outlets promoting and assisting in retail sales. Harads paid half of their customers' newspaper advertising. Exclusive of the sums paid to Sears, these amounts ranged annually from $8,500.00 in 1948 to $25,400.00 in 1950.[21]

The Infringement and Unfair Competition. The Court found that the natural and probable effect of Sears' selling the substitute truss was to confuse and deceive the purchasing public into believing that the substitute truss was

19. F. 14 and 15, R. 512-3; F. 22-24, R. 514.
20. F. 39, R. 518.
21. F. 8-10, R. 511-2.

produced by Harads or came from the same source as the Harad truss because of Sears conduct in each of the following particulars:

(a) The use of the Active Man mark on the substitute truss, this mark being a colorable imitation of the Sportsman mark on the Harad truss.[22]

(b) The illustration used to advertise the substitute truss in Sears catalog was substantially identical to that used in previous Sears catalog advertisements of the Harad truss and in the three-page folder packed with the Harad truss.[23] The Court found that, because of its extensive use in the catalog, circular and other advertising described above, this illustration had attained a secondary meaning indicating a truss originating with the Harads or coming from the same source as the Harad truss.[24]

(c) The advertising of the substitute truss by a combination consisting of the illustration, the slogan "for the active man," certain pen and ink sketches of men at work and play, descriptive statements in column formation preceded by a dot, and by the peculiar layout of each of these features relative to the other.[25] The Court found that this combination and arrangement had attained a secondary meaning because of such advertisement, in the same manner as the illustration itself.[26]

(d) The sale by Sears of the substitute truss, with the Active Man trademark, having a shield portion in the shape and configuration described above and packed with a three-page folder containing on the inside the same gen-

22. F. 30 and 31, R. 516.
23. F. 32 and 33, R. 516-7.
24. F. 26, R. 515.
25. F. 34 and 35, R. 517.
26. F. 27, R. 515.

eral layout and drawings as the folder used in packing the Harad truss.[27]

The trial court also found that there was actual confusion and mistake on the part of the public which believed that the substitute truss was produced by the Harads or came from the same source as the Harad truss.[28]

The Court of Appeals Decision. The Court of Appeals reversed the trial court's decision and stated that Sears was not proven guilty of unfair competition or trademark infringement by asserting that the trial court's findings were clearly erroneous in three particulars:

1. The arrangement of the advertising could not have acquired secondary meaning since advertising of the same general type used in advertising the Harad truss had been previously used by Sears in advertising other and different trusses.[29]

2. The Active Man trademark was not a substantial duplication of the Sportsman trademark since photographic reproductions of athletes are common in the advertising of "such items as trusses."[30]

3. No actual confusion on the part of the public was established by the evidence.[31]

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27. F. 39, R. 518.

28. F. 36, R. 517.

29. 204 Fed. (2d) at pp. 16-17, 19; R. 550-1, 554. It should be noted that, while Sears' prior advertising contained similar ideas to those used in the Harad truss advertising, its execution is so totally different that it could not detract from the uniqueness of the Harad truss advertising. Compare, *e. g.*, the Group B and Group C advertising in the Appendix. It should also be noted, however, that this petition and the importance of the question raised by the Court of Appeals' decision does not depend in any way on showing that any of the Court of Appeals' three redeterminations of fact are incorrect.

30. 204 Fed. (2d) at p. 18, 19; R. 553, 554.

31. 204 Fed. (2d) at pp. 18, 19; R. 553, 554. In finding no confusion the Court relies primarily on the facts that the writers

It should be noted that the Court of Appeals did not disturb the trial Court's findings:

(a) That the illustration of the Harad truss had attained a secondary meaning and that use of a closely similar illustration in advertising the substitute truss (as described in (b) above) would tend to deceive and confuse the public, indicating that the Harads had produced the substitute truss, or

(b) That the sale of the substitute truss, with its simulative shape and configuration, its Active Man trademark, and the three-page folder (as described in (d) above) was similarly likely to deceive and confuse.

REASONS FOR GRANTING THE WRIT.

1. The Court of Appeals has decided an important question in the law of unfair competition, drastically curtailing the protection afforded the manufacturer who produces and sells an unpatented article in interstate commerce against the piracy of his market and loss of control of his product to a distributor.[32] The Court denied the

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of two letters could tell the difference between the two trusses. It overlooks the clear language that the writers thought Harad produced the new truss. Eilts letter (R. 399): "Do you still make the old type of truss?"; Campbell letter (R. 402). It overlooks entirely a letter from the Montgomery Ward buyer, who upon seeing the advertisement of the substitute truss writes, "From the illustration I gather you have changed this truss from the style which you are supplying us * * *. Quite naturally I am perturbed over your failure to make this item available to Montgomery Ward" (R. 398). It also overlooks the implication contained in the Campbell letter that even Sears' sales personnel were confused as to who produced the substitute truss. Here again, however, this petition and the importance of the question do not depend on showing that this re-determination of fact by the Court of Appeals is incorrect.

32. The Court did not indicate whether it was deciding a question of local law under diversity jurisdiction or of federal law under the Lanham Act, 15 U. S. C. 1051 *et seq.*. Viewed as a decision of local law, the local law of all 48 states is drawn into

Harads relief on the ground of unfair competition, even though it left undisturbed the facts that Sears, (1) a former distributor of the Harads, (2) substituted in its distribution an imitative truss developed by the Harads' former salesman, (3) bearing a similar if non-infringing trademark (4) with substantially identical advertising (5) using in such substitute advertising an illustration having characteristics found solely in the Harad truss where (6) distribution of the original truss by Sears had been otherwise identified with the Harads and (7) with the other undisputed findings set out in the Statement, above.

This leaves the small manufacturer with protection against a large distributor solely where he has a patent, a technical trademark or a well-established and conventional secondary meaning. This is unsound for two reasons: The substitute product may easily be palmed off for the original, even in the absence of such property rights as a patent or technical trademark. Even where the facts justify the establishment of such patent or property right, many manufacturers do not have the large wealth necessary to get and protect it, or to establish the kind of secondary meaning required by the Court of Appeals. This leaves the small manufacturer at the mercy of those who command access to great markets. He is in a position where to make a profit he must sell out to those with more ample means of protecting themselves. The decision below concerns not only the relationship between the Harads and Sears, but affects the relationship of all suppliers with their distributors. There is an especially

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question since there was advertisement and sale of trusses in all states. The decision is probably in conflict with applicable local decisions. Viewed as a decision of federal law it decides an important question which has not been but should be decided by the court. In any case, the question is of a type which is decided primarily in the federal courts. Cf. *Dad's Root Beer Co.* v. *Doc's Beverages*, 193 F. (2d) 77 (2d Cir. 1951).

sharp significance where, as here, a backyard businessman deals with a great mail order and retail house.

Sears has defended this claim on the grounds that a contrary result would prevent it from changing the source of its product without paying a penance to its former source, and that sustaining the Harad claim would give him a monopoly. This is based on a misconception of the Harad claim. Admittedly, Sears is free to copy the Harad truss, to break off and deal with a different supplier, to adopt a trademark which the Court finds is not infringing, and to advertise in any manner which does not infringe a secondary meaning which a court finds has been attained in previous advertising. Petitioners' claim is simply that when all of these things are done in combination with no effort to indicate that there is a new source of supply, each act colors the other and brings about a situation which must be viewed as a whole, and when so viewed, warrants a finding of unfair competition. It should be noted that this is not one of those cases where a large distributor purchases an article for sale under its own trade name with the purchasers not knowing or caring about the manufacturing source. Sears might have made a contract with petitioners on that basis, but Sears should not be allowed a freedom from indicating a change of source in the absence of such a contract. Cf. *Sears, Roebuck & Co.* v. *Elliott Varnish Co.*, 232 Fed. 588 (7th Cir. 1916).

Any imitator, even a stranger, must take steps to avoid confusion. Sutherland, J., *Warner & Co.* v. *Lilly & Co.*, 265 U. S. 526. (1924) American Law Institute, Restatement, Torts, § 741. Certainly, this obligation is stronger where, as here, the imitator knows that former purchasers of the original product will return to him expecting to obtain what has satisfied them in the past. Did Sears take reasonable steps to inform its customers of the substitu-

tion? The facts undisturbed by the Court of Appeals indicate that it did not.

The importance of securing to those in this country whose ingenuity falls short of the genius required for patentability a fair chance to reap the rewards of ingenuity must not, of course, blind us to the importance of preserving free competition and avoiding of monopolies not constitutionally granted. Admittedly, the problem of drawing the line and furnishing criteria as clear as possible is a difficult one.

In this case the problem of drawing the line is not one for Congress nor for the Federal Trade Commission. No careful investigation of an industry or of its practice is needed. Petitioner is not setting himself up as a guardian of public morals; the wrong done here was done to petitioner alone. Recognition of petitioner's claim carries with it no danger of monopoly. The scope of protection can be accurately defined and appropriately limited by the court. No new type of unfairness is presented—nothing but the old in a new combination. Thus, the problem here is peculiarly one for the judicial process. Chafee, *Unfair Competition*, 53 HARV. L. R. 1289 (1940).

In establishing the bounds of unfair competition, the Court of Appeals violated a fundamental canon of judicial process. Petitioner built a case of unfair competition made up of several factors. Perhaps, no one standing alone was sufficient; but they did not stand alone. The Court of Appeals proceeded "to break the fagot stick by stick." This it was not entitled to do. Holmes, J., in *Schlitz Brewing Co.* v. *Houston Ice Co.*, 250 U. S. 28 (1919).

2. The decision of the court below in the instant case is directly in conflict with the decision of the Eighth Circuit Court of Appeals in *Stix, Baer & Fuller Co.* v. *Alfred J. Sweet Co.*, 49 F. 2d 598 (8th Cir. 1931).

The essential facts in the *Stix* case and the instant case are substantially identical and are as follows:

(1) Each involved a manufacturer as plaintiff and a large distributor as defendant. In the *Stix* case, the distributor was a large St. Louis department store.

(2) In each case the distributing arrangement had extended over a period of time.

(3) In each case the distributor terminated the contractual arrangement and commenced distributing a very similar product from another manufacturing source—in the instant case, an elastic truss with a unique shield portion; in the *Stix* case, a class of shoes known as "comfort" shoes.

(4) In each case the original manufacturer had used a trademark in connection with his product, and in each case the distributor invented and used a very similar trademark on the substitute product. In the instant case the similarity arises from the connotation, size and style of the mark —Sportsman truss in an eliptical frame, as opposed to Active Man truss in a similar frame. In the *Stix* case there was a similarity of sound—"Ye Olde Tyme Comfort," as compared with "All Time Comfort."

(5) In each case the substitute distribution was carried out with a product of the same class serving the same market as the original distribution; and in each case satisfied customers would be likely to re-order the product within a period of, roughly, a year or so.

The Court of Appeals for the Eighth Circuit, refusing as did the Court for the Seventh Circuit to find trademark infringement, found that the use of the trademark in conjunction with the other factors described above constituted unfair competition. The Court for the Seventh Circuit, however, found that no trademark infringement existed and that the advertising of the original product had no

secondary meaning, failed to consider the effect of all the facts taken together, refused to find unfair competition, and, in effect, limited the protection afforded a manufacturer in a distributor-manufacturer relationship to a situation where he possesses a technical trademark or similar property right.

Conclusion.

The petitioner prays that the writ be granted.

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Appendix

APPENDIX.

This appendix consists solely of exhibits introduced into evidence in the trial court or pictures of such exhibits; these exhibits can be divided into three groups as follows:

Group A.

Pictures of the Harad truss and the substitute truss.

Group B.

Reproductions of the two semi-annual Sears catalog pages used immediately before the substitution and the two used immediately after the substitution.

Group C.

Reproductions of Sears' catalog pages used prior to distribution of the Harad truss. Under the Court of Appeals decision, this type of prior advertising prevented subsequent catalog and other advertisement of the Harad truss from attaining secondary meaning.

Exhibit No.	*Description.*
	Group A.
Plf. CC	Harad truss.
Def. 7	Substitute (Mack) truss.
	Group B.
Plf. NN	Sears spring and summer 1949 catalog, p. 823.
Plf. OO	Sears fall and winter 1949 catalog, p. 984.
Plf. SS	Sears spring and summer 1950 catalog, p. 800.
Plf. TT	Sears fall and winter 1950-51 catalog, p. 958.

Group C.

Def. 21

Sears fall and winter catalog 1946-47, pp. 790, 791.

Def. 29

Sears fall and winter catalog, 1943-44, pp. 674, 675.

Def. 79

Sears fall and winter catalog, 1945-46, pp. 480, 481.

Group A.

These are pictures of the Harad and the substitute truss.